

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2013-201-WS

IN RE: Application of Utilities Services of South Carolina)	REBUTTAL TESTIMONY
Incorporated for Approval of an Increase)	
In its Rates for Water and Sewer Services)	OF
Provided to All of Its Service Areas in)	
South Carolina)	MAC MITCHELL
_____)	

1 **Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.**

2 **A.** My name is Mac Mitchell. My business address is 151 Old Wire Road West Columbia, SC
3 29072

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 **A.** I have been employed by Utilities, Inc. since February 2003. I currently serve as Regional
6 Manager, my duties encompass all aspects of managing about one half of UI's operations of water
7 and wastewater utilities in South Carolina. This includes all of the operations of Utilities Services
8 of South Carolina, Inc.

9 **Q. WHAT IS YOUR PREVIOUS WORK EXPERIENCE?**

10 **A.** I was previously employed by the Grand Strand Water and Sewer Authority as a lab
11 manager and a wastewater treatment plant supervisor, as a lab manager for Utilities, Inc., and as a
12 Research Specialist at the USC Marine Science Field Laboratory, Baruch Institute.

13 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
14 **PROFESSIONAL LICENSES.**

15 **A.** I am a 1979 graduate of Furman University with a Bachelor of Science degree in Biology. I

1 have 27 years of experience in the water and wastewater industry. I am a licensed water and/or
2 wastewater treatment operator in the state of South Carolina with an “A” Water Treatment License
3 and an “A” Biological Wastewater Treatment License from the Department of Health and
4 Environmental Control.

5 **Q. HAVE YOU TESTIFIED BEFORE THIS COMMISSION PREVIOUSLY?**

6 **A.** Yes, I have testified in previous rate cases involving subsidiaries of Utilities, Inc. before the
7 South Carolina Public Service Commission.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

9 **A.** The purpose of my testimony is to describe certain capital expenditures made by Utilities
10 Services of South Carolina, Inc. (“USSC”) during 2007, 2008, 2009, 2010, 2011, and 2012. These
11 capital expenditures have been challenged by the Office of Regulatory Staff (“ORS”) on the basis
12 that they should either be considered operating expenses or they were not incurred on behalf of
13 USSC. I will explain why these expenditures were properly classified as capital expenditures
14 made on behalf of USSC.

15 **Q. DOES YOUR REBUTTAL TESTIMONY APPLY TO ALL OF THE CAPITAL**
16 **EXPENDITURES CHALLENGED BY THE ORS?**

17 **A.** No, USSC has reviewed the capital expenditures challenged by the ORS, and is limiting its
18 rebuttal testimony to items which it can clearly show were capital expenditures made on behalf of
19 the company. These expenditures are listed on Exhibit Mitchell-1, which accompanies my
20 testimony.

21 **Q. PLEASE DESCRIBE EXHIBIT MITCHELL-1.**

22 **A.** Exhibit Mitchell-1 is a spreadsheet listing items which the ORS proposes to “expense” and
23 which USSC believes should be “capitalized”. The following information is found on the

spreadsheet:

- **Vendor Name:** The name of the vendor which sold and/or installed the capitalized improvements. This information is derived from USSC's General Ledger, from its JD Edwards accounting system ("JDE"), or the vendor invoices for the transaction.
- **Object A/C:** The general ledger account under which the expenditure was entered by USSC. This information is found on the General Ledger and JDE.
- **A/C Description:** Description of the general ledger category. This information is found on the General Ledger and in JDE.
- **Doc #:** The identifying document number, taken from the General Ledger and/or JDE.
- **PV# Internal Invoice Number:** UI's internal invoice number. This number is found on the invoices themselves and JDE.
- **Date:** The date the item was entered on the General Ledger. This information is found on the General Ledger.
- **Invoice #:** The vendor's invoice number.
- **Location:** The location of the capital improvement. An address, location, or a business unit number corresponding to the company for which the work was done. USSC's business unit numbers are specific for each system and identify whether the work is water or sewer related. For expenditures under \$250, the location is derived from the vendors' invoices which list the business unit and the initials of the operator who ordered the work or materials using a purchase order number. For expenditures exceeding \$250, the information is found on either the purchase order or JDE.
- **Asset Description:** A description of the capital improvement derived from the invoice, the purchase order, and JDE.
- **Invoice Amount:** The amount of the expenditure.¹
- **Comments/Benefit:** A description of the system improvement entered on the company's continuing property records.
- **MAM Explanation:** These are additional comments that I have made for

¹ (In some cases the spreadsheet will show two expenditures for the same improvement; in those cases the billed amount exceeded the amount on the purchase order. When that happens, our accounting system will list the amount of the purchase order on one line, and the additional amount paid on a second line. For example, line 18 shows \$500 for a digester, and line 19 shows \$.08 for the same item. In that case the purchase order was for a \$500 digester, but the final bill was \$500.08.)

1 purposes of this hearing, summarizing why the listed items should be considered capital
2 expenditures.

3 **Q. PLEASE DESCRIBE THE SOURCES OF THE INFORMATION ON EXHIBIT**
4 **MITCHELL-1.**

5 **A.** Copies of the invoices corresponding to the items listed on Exhibit Mitchell-1 are attached
6 as Exhibit Mitchell-2, 2007-2012. A report generated directly from the company's J.D. Edwards
7 accounting program ("JDE") containing information on which the spreadsheet is based is attached
8 as Exhibit Mitchell-3. The notations on the invoices in Exhibits Mitchell-2 were made by vendors
9 and USSC personnel and the information on the JDE report was entered contemporaneously by
10 USSC or UI personnel in the regular course of business, and I am a custodian of those records.

11
12 **Q. WHY DO YOU CONTEND THAT THE ITEMS LISTED ON EXHIBIT MITCHELL-**
13 **1 SHOULD BE CONSIDERED CAPITAL EXPENDITURES?**

14 **A.** Each of these expenditures was made to install items or equipment that was made to add to
15 or upgrade the company's physical assets. Capital expenditures are distinguishable from expenses,
16 which are costs incurred for maintenance items such as chemicals, routine equipment maintenance,
17 or equipment calibrations. Capital expenditures reflect the purchase of items that are expected to
18 last more than one year and will be depreciated over their useful life.

19 The items in question include such items as air compressors, blowers, chemical feed pumps,
20 digesters, elder valves, and pH meters. Each of these items has a useful life of more than one year,
21 and they each contributed to or upgraded USSC's physical assets. These items should be entered
22 on the company's books as depreciable assets.

23 **Q. THE ORS HAS CHALLENGED CERTAIN MAINTENANCE AND REPAIR**
24 **EXPENSES AS NOT BEING ATTRIBUTABLE TO USSC'S OPERATIONS, DO YOU**
25 **AGREE WITH ITS PROPOSED ADJUSTMENT?**

1 A. Not entirely. Some of the expenses challenged in the ORS's adjustment were attributable to
2 USSC. I have listed these expenses on Exhibit Mitchell 4.

3 **Q. WHY DO YOU CONTEND THAT THE MAINTENANCE AND REPAIR**
4 **EXPENSES LISTED ON EXHIBIT MITCHELL-4 ARE RELATED TO USSC?**

5 A. Each of the invoices summarized on Mitchell Exhibit 4 are contains a Business Unit number
6 related to a USSC sewer system. All business units beginning with "401" reflect USSC business
7 units only. If these purchases were less than \$250.00, they did not require the issuance of an
8 individual purchase order. However, because the employee provides the vendor with the business
9 unit number for the system (of which the first three digits are always the company number, or in
10 this case, USSC's company number, 401), in those cases the invoice correctly links the purchase
11 to USSC. Therefore, even if it is not evident from a facial review of the vendor's invoice, USSC's
12 staff can identify instantly which operating company and business unit within USSC is associated
13 with a purchase. ORS was provided with a list of USSC business units as part of the staff audit in
14 order to allow ORS staff to confirm that these invoices were for USSC-related purchases.

15 **Q. THE ORS HAS CHALLENGED CERTAIN MAINTENANCE AND REPAIR**
16 **EXPENSES CONTENDING THAT THEY SHOULD HAVE BEEN CAPITALIZED**
17 **INSTEAD, DO YOU AGREE WITH ITS PROPOSED ADJUSTMENT?**

18 A. Not entirely. The second page of Exhibit Mitchell 4 identifies the expenses that USSC
19 agrees should have been capitalized, totaling \$3,601.85 for water operations and \$676.10 for sewer
20 operations.

21 **Q. MR. MORGAN TESTIFIED IN HIS REBUTTAL TESTIMONY THAT SOME OF**
22 **USSC's INVOICES LISTED CHARLOTTE AND WEST COLUMBIA ADDRESSES FOR**
23 **DELIVERY OF PARTS, DOESN'T THAT MEAN THAT THEY WERE NOT ORDERED**

